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Recommendations in connection with the following topics, in the order suggested by the Egyptian Embassy. It is recommended:

1. General outlook US-Egyptian relations. No change. We look forward to a time when through the defense proposals US-Egyptian relations will be even closer. We hope the Egyptian Government fully appreciates the importance which the United States attaches to these proposals.

2. Suez Canal. The situation which has developed in Egypt is a very serious one. The United States does not have the slightest desire or intention to interfere in any way with the sovereignty or independence of Egypt or with its domestic affairs. On the other hand, it would be idle to pretend that the Suez canal is only an Egyptian domestic concern. The Egyptian Government is aware that the Canal and the Suez bases are of the highest importance to the free world and that the interruption of traffic on the Canal, or interference for suitable arrangements for its defense intimately concerns the Western world. The dependence of many nations of the world on this vital water way and the development of arrangements for its defense are things that have grown up over a long number of years, by steps taken in agreement with the Egyptian Government. An attempt to change this situation abruptly

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to the detriment of the interests of all of the nations concerned would requires the most careful consideration of the protection of these interests.

We were gratified that in a recent strike in the Canal the Egyptian Government collaborated with the Canal Company to avoid an interruption of traffic and we hope that Egypt will contineu to exert comparable effsrts if they are necessary in the future.

3. Egyptian Differences with the British. The United States deplores the guerrilla warfare now being waged against the British in the Canal Zone, which can only lead to grave domestic security problems for the Egyptian Government. Our Ambassador in Cairo has already expressed the strongest representations to the Egyptian Government in connection with the death of an American nun on the 19th of January. The disorders in the Canal Zone can only serve to endanger the friendly relations and confidence between the U.S. and Egypt and to postpone the orderly settlement of the problem of the Suez bases in a manner consistent with the interests of everyone concerned.

4. U.S.-U.K. Conversations. As the communiques following the talks stated the US and UK reaffirmed their

confidence that th Four Power proposals offer the best prospect of relieving the present tension in Egypt. The U.S. and the U.K found that they entertained similar fears regarding the future difficulties for Egypt arising from strikes, guerrilla warfare and generally unsettled conditions.

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